

Senate Study Bill 1202 - Introduced

SENATE FILE _____
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON BOLKCOM)

A BILL FOR

1 An Act relating to the assessment and taxation of
2 telecommunications company property and including effective
3 date and applicability provisions.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 433.4, Code 2013, is amended to read as
2 follows:

3 **433.4 Assessment.**

4 1. The director of revenue shall on or before October 31
5 each year, proceed to find the actual value of the property
6 of these companies in this state used by the companies in the
7 transaction of telegraph and telephone business, taking into
8 consideration the information obtained from the statements
9 required, and any further information the director can obtain,
10 using the same as a means for determining the actual ~~cash~~ value
11 of the property of these companies within this state. ~~The~~
12 ~~director shall also take into consideration the valuation of~~
13 ~~all property of these companies, including franchises and the~~
14 ~~use of the property in connection with lines outside the state,~~
15 ~~and making these deductions as may be necessary on account of~~
16 ~~extra value of property outside the state as compared with~~
17 ~~the value of property in the state, in order that the actual~~
18 ~~cash value of the property of the company within this state~~
19 ~~may be ascertained. The assessment shall include all property~~
20 ~~of every kind and character whatsoever, real, personal, or~~
21 ~~mixed, used by the companies in the transaction of telegraph~~
22 ~~and telephone business; and the~~ The property so included in
23 the assessment shall not be taxed in any other manner than as
24 provided in this chapter.

25 2. a. Except as provided in paragraph "c", for assessment
26 years beginning on or after January 1, 2014, a company's
27 property, excluding the property identified in paragraph "b"
28 as exempt from taxation, shall be subject to assessment and
29 taxation under this chapter by the director of revenue in
30 the same manner as property assessed and taxed as commercial
31 property under chapters 427, 427A, 427B, 428, and 441.

32 b. All of the following is exempt from taxation and shall
33 not be assessed for taxation under this chapter:

34 (1) Central office equipment.

35 (2) Qualified telephone company property. However,

1 qualified telephone company property shall be valued and
2 included in the company's assessment for the assessment years,
3 and to the extent specified, in paragraph "c".

4 c. For assessment years beginning on or after January 1,
5 2014, the director of revenue shall include as part of the
6 actual value determined under paragraph "a" for the applicable
7 assessment year, the following:

8 (1) For the assessment year beginning January 1, 2014, an
9 amount equal to the actual value of the company's qualified
10 telephone company property that exceeds four million dollars.

11 (2) For the assessment year beginning January 1, 2015, an
12 amount equal to the actual value of the company's qualified
13 telephone company property that exceeds eight million dollars.

14 (3) For the assessment year beginning January 1, 2016, an
15 amount equal to the actual value of the company's qualified
16 telephone company property that exceeds twelve million dollars.

17 (4) For the assessment year beginning January 1, 2017, an
18 amount equal to the actual value of the company's qualified
19 telephone company property that exceeds sixteen million
20 dollars.

21 (5) For the assessment year beginning January 1, 2018, and
22 each assessment year thereafter, an amount equal to the actual
23 value of the company's qualified telephone company property
24 that exceeds twenty million dollars.

25 Sec. 2. Section 433.12, Code 2013, is amended by adding the
26 following new subsections:

27 NEW SUBSECTION. 1A. As used in this chapter, "central
28 office equipment" means motor vehicles, aircraft, tools and
29 other work equipment, furniture, office equipment, general
30 purpose computers, central office switching equipment,
31 nondigital switching equipment, digital electronic switching
32 equipment, operator systems, central office transmission
33 equipment, radio systems, circuit equipment, information
34 origination and termination equipment, station apparatus,
35 customer premises wiring, large private branch exchanges,

1 public telephone terminal equipment, and other terminal
2 equipment, within the meaning of the telecommunications
3 companies account provisions of 47 C.F.R. pt. 32, in effect on
4 the effective date of this Act.

5 NEW SUBSECTION. 3. As used in this chapter, "*qualified*
6 *telephone company property*" means poles, aerial cable,
7 underground cable, buried cable, submarine and deep sea cable,
8 intrabuilding network cable, aerial wire, and conduit systems
9 within the meaning of the telecommunications companies account
10 provisions of 47 C.F.R. pt. 32, in effect on the effective date
11 of this Act.

12 Sec. 3. Section 441.21, subsection 5, Code 2013, is amended
13 to read as follows:

14 5. For valuations established as of January 1, 1979,
15 commercial property and industrial property, excluding
16 properties referred to in section 427A.1, subsection 8, shall
17 be assessed as a percentage of the actual value of each class
18 of property. The percentage shall be determined for each
19 class of property by the director of revenue for the state in
20 accordance with the provisions of this section. For valuations
21 established as of January 1, 1979, the percentage shall be
22 the quotient of the dividend and divisor as defined in this
23 section. The dividend for each class of property shall be the
24 total actual valuation for each class of property established
25 for 1978, plus six percent of the amount so determined. The
26 divisor for each class of property shall be the valuation
27 for each class of property established for 1978, as reported
28 by the assessors on the abstracts of assessment for 1978,
29 plus the amount of value added to the total actual value by
30 the revaluation of existing properties in 1979 as equalized
31 by the director of revenue pursuant to section 441.49. For
32 valuations established as of January 1, 1979, property valued
33 by the department of revenue pursuant to chapters 428, 433,
34 437, and 438 shall be considered as one class of property and
35 shall be assessed as a percentage of its actual value. The

1 percentage shall be determined by the director of revenue in
2 accordance with the provisions of this section. For valuations
3 established as of January 1, 1979, the percentage shall be
4 the quotient of the dividend and divisor as defined in this
5 section. The dividend shall be the total actual valuation
6 established for 1978 by the department of revenue, plus ten
7 percent of the amount so determined. The divisor for property
8 valued by the department of revenue pursuant to chapters 428,
9 433, 437, and 438 shall be the valuation established for 1978,
10 plus the amount of value added to the total actual value by
11 the revaluation of the property by the department of revenue
12 as of January 1, 1979. For valuations established as of
13 January 1, 1980, commercial property and industrial property,
14 excluding properties referred to in section 427A.1, subsection
15 8, shall be assessed at a percentage of the actual value of
16 each class of property. The percentage shall be determined
17 for each class of property by the director of revenue for the
18 state in accordance with the provisions of this section. For
19 valuations established as of January 1, 1980, the percentage
20 shall be the quotient of the dividend and divisor as defined in
21 this section. The dividend for each class of property shall
22 be the dividend as determined for each class of property for
23 valuations established as of January 1, 1979, adjusted by the
24 product obtained by multiplying the percentage determined
25 for that year by the amount of any additions or deletions to
26 actual value, excluding those resulting from the revaluation
27 of existing properties, as reported by the assessors on the
28 abstracts of assessment for 1979, plus four percent of the
29 amount so determined. The divisor for each class of property
30 shall be the total actual value of all such property in 1979,
31 as equalized by the director of revenue pursuant to section
32 441.49, plus the amount of value added to the total actual
33 value by the revaluation of existing properties in 1980. The
34 director shall utilize information reported on the abstracts of
35 assessment submitted pursuant to section 441.45 in determining

1 such percentage. For valuations established as of January 1,
2 1980, property valued by the department of revenue pursuant
3 to chapters 428, 433, 437, and 438 shall be assessed at a
4 percentage of its actual value. The percentage shall be
5 determined by the director of revenue in accordance with the
6 provisions of this section. For valuations established as of
7 January 1, 1980, the percentage shall be the quotient of the
8 dividend and divisor as defined in this section. The dividend
9 shall be the total actual valuation established for 1979 by
10 the department of revenue, plus eight percent of the amount so
11 determined. The divisor for property valued by the department
12 of revenue pursuant to chapters 428, 433, 437, and 438 shall be
13 the valuation established for 1979, plus the amount of value
14 added to the total actual value by the revaluation of the
15 property by the department of revenue as of January 1, 1980.
16 For valuations established as of January 1, 1981, and each
17 year thereafter, the percentage of actual value as equalized
18 by the director of revenue as provided in section 441.49 at
19 which commercial property and industrial property, excluding
20 properties referred to in section 427A.1, subsection 8, shall
21 be assessed shall be calculated in accordance with the methods
22 provided herein, except that any references to six percent
23 in this subsection shall be four percent. For valuations
24 established as of January 1, 1981, and each year thereafter,
25 the percentage of actual value at which property valued by the
26 department of revenue pursuant to chapters 428, 433, 437, and
27 438 shall be assessed shall be calculated in accordance with
28 the methods provided herein, except that any references to
29 ten percent in this subsection shall be eight percent. For
30 assessment years beginning on or after January 1, 2014, the
31 percentage of actual value at which property valued by the
32 department of revenue pursuant to chapters 428, 433, 437,
33 and 438 shall be assessed shall be calculated using property
34 valuations for the applicable assessment years that include
35 the total value of property exempt from taxation under section

1 433.4, subsection 2, paragraph "b", notwithstanding section
2 433.4, subsection 2, paragraph "c". Beginning with valuations
3 established as of January 1, 1979, and each year thereafter,
4 property valued by the department of revenue pursuant to
5 chapter 434 shall also be assessed at a percentage of its
6 actual value which percentage shall be equal to the percentage
7 determined by the director of revenue for commercial property,
8 industrial property, or property valued by the department of
9 revenue pursuant to chapters 428, 433, 437, and 438, whichever
10 is lowest.

11 Sec. 4. Section 476.1D, subsection 10, Code 2013, is amended
12 by striking the subsection.

13 Sec. 5. PROPERTY TAXATION OF TELECOMMUNICATIONS COMPANIES
14 — REPORT. The department of revenue, in consultation
15 with the department of management, representatives of the
16 telecommunications industry, and other interested stakeholders,
17 shall study the current system of assessing telecommunications
18 property and levying property tax against telecommunications
19 companies and make recommendations for changes. The
20 department of revenue shall prepare and file a report detailing
21 recommendations for changes to the current system of assessing
22 telecommunications property and levying property tax against
23 telecommunications companies. The report shall be filed by the
24 department of revenue with the chairpersons and ranking members
25 of the ways and means committees of the senate and the house
26 of representatives and with the legislative services agency by
27 January 13, 2014.

28 Sec. 6. SAVINGS PROVISION. This Act, pursuant to section
29 4.13, does not affect the operation of, or prohibit the
30 application of, prior provisions of chapter 433, or rules
31 adopted under chapter 17A to administer prior provisions of
32 chapter 433, for assessment years beginning before January 1,
33 2014, and for duties, powers, protests, appeals, proceedings,
34 actions, or remedies attributable to an assessment year
35 beginning before January 1, 2014.

1 Sec. 7. IMPLEMENTATION. Section 25B.7 shall not apply to
2 this Act.

3 Sec. 8. EFFECTIVE DATE.

4 1. Except as provided in subsection 2, this Act takes effect
5 July 1, 2013.

6 2. The section of this Act amending section 476.1D takes
7 effect July 1, 2017.

8 Sec. 9. APPLICABILITY.

9 1. Except as provided in subsection 2, this Act applies to
10 assessment years beginning on or after January 1, 2014.

11 2. The section of this Act amending section 476.1D applies
12 to assessment years beginning on or after January 1, 2018.

13 EXPLANATION

14 This bill relates to the manner in which the property of
15 telecommunications companies is assessed and taxed.

16 The assessment provisions of current Code section
17 433.4 provide that in ascertaining the actual value of
18 telecommunications company property the director of revenue
19 shall include all property of every kind and character
20 whatsoever, real, personal, or mixed, used by the company in
21 the transaction of telegraph and telephone business.

22 The bill strikes the provisions that included all kinds and
23 character of property in the determination of actual value
24 of a company's property. Instead, the bill provides that
25 for assessment years beginning on or after January 1, 2014,
26 a company's property, excluding central office equipment and
27 qualified telephone company property, both as defined in the
28 bill, shall be subject to assessment and taxation under Code
29 chapter 433 by the director of revenue in the same manner as
30 property assessed and taxed as commercial property. The bill
31 provides, however, that for assessment years beginning on or
32 after January 1, 2014, the director of revenue shall include as
33 part of the actual value so determined for that assessment year
34 a specified amount of actual value of the company's qualified
35 telephone company property.

1 The bill also modifies the provision relating to the
2 calculation of the assessment limitation for property valued by
3 the department of revenue pursuant to Code chapters 428, 433,
4 437, and 438 by specifying that for assessment years beginning
5 on or after January 1, 2014, such assessment limitation shall
6 be calculated using property valuations for the applicable
7 assessment years that include the total value of specified
8 telecommunications company property exempted from taxation
9 under new Code section 433.4(2)(b).

10 The bill strikes a provision in Code section 476.1D that
11 allowed certain specified long-distance telephone company
12 property to be assessed for taxation as commercial property by
13 the local assessor.

14 The bill establishes a study to be facilitated by the
15 department of revenue, in consultation with applicable
16 stakeholders, regarding property tax on telecommunications
17 companies. The department of revenue will study the current
18 system of assessing property and levying property tax
19 for telecommunications companies. A report detailing any
20 recommended changes will be filed with the chairperson and
21 ranking members of the ways and means committees of the senate
22 and the house of representatives and with the legislative
23 services agency by January 13, 2014.

24 The bill provides that the provisions in Code section 25B.7,
25 relating to the obligation of the state to reimburse local
26 jurisdictions for property tax credits and exemptions, do not
27 apply to the exemption in the bill.

28 Except for the section of the bill amending Code section
29 476.1D, the bill takes effect July 1, 2013, and applies to
30 assessment years beginning on or after January 1, 2014. The
31 section of the bill amending Code section 476.1D takes effect
32 July 1, 2017, and applies to assessment years beginning on or
33 after January 1, 2018.

34 The bill, pursuant to Code section 4.13, does not affect the
35 application of Code chapter 433 to assessment years beginning

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1 before January 1, 2014.